

finances the separation of the functions of note issue and banking which were imposed upon the Bank of England by the Act of 1844. Lord Sydenham suggested a series of resolutions for a bank, with no other powers than that of issue, with an authorized circulation of £1,000,000 and an excess issued only against coin or bullion. The authorized circulation was to be protected by government securities, of which the interest was to go to pay the expense of managing the bank and any balance to the public Treasury. There was a strong outburst of public feeling against destroying the profits and efficiency of the existing banks and the conservatives, French Canadians, and a few supporters of the party in power united in committee of the whole on August 31, 1841, in a resolution "that it is inexpedient to take into further consideration during the present session the establishment of a provincial bank of issue, or the issue in any way of a paper currency on the faith of the province."¹

The committee which considered Lord Sydenham's proposals admitted the propriety of some uniform regulation of the banks, and it had been repeatedly urged in circulars from the home government. These recommendations contemplated the usual safeguards against unsound banking,— limiting the business of the banks to a proper banking business, conducted after the subscription of the capital, and involving forfeiture if specie payments were suspended for sixty days. These restrictions were applied to the three banks of Lower Canada when they sought a renewal of their charters in 1841. Notes under five shillings were prohibited, and notes under one pound were not to exceed one-fifth of the paid-up capital. The various charters were to expire at the end of the first session of Parliament after June or December 1, 1862. Double liability was imposed upon shareholders, and nearly all the provisions for the public security which had prevailed in either Lower or Upper Canada were now applied to the banks of the entire province. The pet theory of the home government, that coin should take the place of small notes, in order to constitute a healthy monetary

¹ Breckenridge, 112.